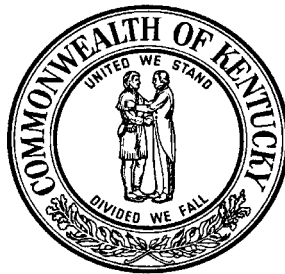


**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLINTON COUNTY SHERIFF**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the year ended December 31, 2001. We have issued a qualified opinion on the financial statement taken as a whole. The Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America.

#### **Financial Condition:**

The Sheriff's fee account had total receipts of \$149,356 and allowable disbursements of \$135,744 resulting in excess fees for 2001 of \$13,612. As of December 31, 2001, the Sheriff's fee account had a deficit balance of \$31,429.

#### **Liabilities:**

As of December 31, 2001, the Clinton County Sheriff's fee account had unpaid obligations of \$59,238 consisting of:

- \$19,823 to U.S. Treasurer for federal tax withholdings and matching.
- \$3,934 to Kentucky State Treasurer for state tax withholdings (\$144) and carry concealed deadly weapon license fees (\$3,790).
- \$32,591 to Clinton County Fiscal Court for retirement withholdings and matching (\$7,468), county withholdings (\$774), excess fees (\$20,519), and court costs (\$3,830).
- \$1,877 to Kentucky Law Enforcement Foundation Program Fund for overpayment of grant.
- \$554 net amount due the tax account.
- \$459 to various vendors for law enforcement equipment and vehicle maintenance and repairs.

#### **Report Comments:**

- The Sheriff Should Not Have A Deficit Of \$31,429 In His Official Fee Account As Of December 31, 2001
- The Sheriff Should Pay Excess Fees Of \$20,519 To County Treasurer For Calendar Years 2000 And 2001
- The Sheriff Should Maintain Deputy Sheriff Salaries Within Maximum Amount Set By Fiscal Court
- The Sheriff Should Limit Official Expenses To Amounts Fixed By Fiscal Court
- The Sheriff Should Properly Report Wages And Withholdings

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CLINTON COUNTY SHERIFF**  
**For The Year Ended**  
**December 31, 2001**  
**(Continued)**

**Report Comments: (Continued)**

- The Sheriff's Office Should Submit A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Obtain Reimbursement From State For Expenses
- The Sheriff Should Properly Remit Carrying Concealed Deadly Weapon Permits
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$62,250 To Protect Deposits
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Maintain Accurate Accounting Records

**Litigation:**

- On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. However, as of September 5, 2003, the Sheriff has paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time.
- On December 11, 2000, legal counsel, on behalf of the Clinton County Sheriff, filed a lawsuit in Clinton Circuit Court against the former Clinton County Judge/Executive in her official capacity. On January 6, 2003, the lawsuit transferred against the new Clinton County Judge/Executive in his official capacity. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time.

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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie McWhorter, Clinton County Judge/Executive

Honorable Kay Riddle, Clinton County Sheriff

Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Clinton County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America.

In our opinion, except for the effects of any matters that might have been disclosed if we had been provided a legal representation letter, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donnie McWhorter, County Judge/Executive  
Honorable Kay Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Not Have A Deficit Of \$31,429 In His Official Fee Account As Of December 31, 2001
- The Sheriff Should Pay Excess Fees Of \$20,519 To County Treasurer For Calendar Years 2000 And 2001
- The Sheriff Should Maintain Deputy Sheriff Salaries Within Maximum Amount Set By Fiscal Court
- The Sheriff Should Limit Official Expenses To Amounts Fixed By Fiscal Court
- The Sheriff Should Properly Report Wages And Withholdings
- The Sheriff's Office Should Submit A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Obtain Reimbursement From State For Expenses
- The Sheriff Should Properly Remit Carrying Concealed Deadly Weapon Permits
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$62,250 To Protect Deposits
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Maintain Accurate Accounting Records

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of any matters that might have been disclosed if we had been provided a legal representation letter, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 5, 2003



CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Fees For Service	\$	7,825
State Grants		9,633
State Fees For Services:		
Reimbursement for Sequestered Jury		1,119
Circuit Court Clerk:		
Sheriff Security Service	\$	5,855
Fines and Fees Collected		1,165
Court Ordered Payments		1,833
		8,853
Fiscal Court:		
Sheriff's Training Incentive	\$	730
Reimbursement for Bonds		2,508
Election Commissioner		420
Employer's Share of FICA		6,329
		9,987
County Clerk - Delinquent Taxes		1,035
Commission On Taxes Collected		67,925
Fees Collected For Services:		
Advertising Fees	\$	1,240
Accident and Police Reports		123
Auto Inspections		3,955
Carrying Concealed Deadly Weapon Permits		2,220
Court Costs for Fiscal Court		4,860
Miscellaneous Fees Collected		995
Serving Papers		10,715
Sheriff's Add-On Fees -		
10% of Tax and Penalty		14,685
		38,793
Other:		
Miscellaneous	\$	200
Drug Eradication		3,050
		3,250
Interest Earned		936
Total Receipts	\$	149,356

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 KAY RIDDLE, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements

Operating Disbursements:

Payments to State-		
Carrying Concealed Deadly Weapon Permits	\$	1,410
Personnel Services-		
Deputies' Salaries		107,103
Part-Time Salaries		6,164
Employee Benefits-		
Employer's Share Social Security		7,789
Employer's Share Retirement		619
Materials and Supplies-		
Film Development		66
Office Materials and Supplies		1,094
Uniforms		656
Auto Expense-		
Gasoline		8,940
Maintenance and Repairs		3,103
Other Charges-		
Bond		3,061
Conventions and Travel		763
Court Costs To Fiscal Court		4,860
Miscellaneous		299
Penalties and Interest		267
Postage		220
Sequestered Jurors		1,119
		<hr/>
Total Disbursements	\$	147,533
Less: Disallowed Disbursements		
Penalties and Interest	\$	267
Expenditures Over Budget		12,252
		<hr/>
Total Allowable Disbursements	\$	135,014
Net Receipts	\$	14,342
Less:		
Sheriff's Training Incentive		730
		<hr/>
Excess Fees Due County for 2001	\$	13,612
		<hr/>

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year.

CLINTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2001  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 7, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$62,250 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 7, 2001.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 970,000
FDIC insured	100,000
Uncollateralized and uninsured	<u>62,250</u>
Total	<u><u>\$ 1,132,250</u></u>

Note 4. 2001 Sheriff's Salary

The fiscal court paid the Sheriff's salary for 2001, therefore his salary was not reflected on the financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 5. Receivables

The Clinton County Sheriff is due receivables of \$63,859 from the Clinton County Fiscal Court.

During calendar year 1999, the Sheriff's office fee account did not earn enough money to fund \$42,481 of the Sheriff's salary. KRS 64.535 states that "[t]he . . . sheriff shall . . . receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." This statute mandates that the Sheriff is entitled to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office, including the expense of the sheriff's maximum salary as set out in the salary schedule in KRS 64.5275. Thus, because the Sheriff's office had a revenue shortfall for calendar year 1999 and was unable to pay all allowable expenses for calendar year 1999, out of fees and other revenues generated by his office, it is the responsibility of the fiscal court to provide funding for the Sheriff's 1999 statutory maximum salary.

In addition, the Sheriff is due a refund of \$20,254 from the fiscal court for paying the employer's share of social security and unemployment insurance for 1998 and 1999. Also, the fiscal court should reimburse the Sheriff's office \$1,124 for overpayment of employer's share of retirement during 1999.

Note 6. Litigation

- On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. However, as of September 5, 2003, the Sheriff has paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time.
- On December 11, 2000, legal counsel, on behalf of the Clinton County Sheriff, filed a lawsuit in Clinton Circuit Court against the former Clinton County Judge/Executive in her official capacity. On January 6, 2003, the lawsuit transferred against the new Clinton County Judge/Executive in his official capacity. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time.

Note 7. Schedule of Excess of Liabilities Over Assets

The schedule of excess of liabilities over assets does not include the receivable of \$63,859 due from the fiscal court.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 8. Explanation of December 31, 2001 Deficit

The \$31,429 deficit as of December 31, 2001 resulted from the following transactions:

Disallowed Disbursements:	
Interest and Penalties - 2001	\$ 267
Deputies' Salaries Over Salary Limitation - 2001	7,103
Expenditures Over Budget - 2001	5,148
Undeposited Receipts - 2001	328
Prior Year Uncollected Receivables	<u>18,583</u>
Total Deficit as of December 31, 2001	<u><u>\$ 31,429</u></u>

SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS





CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

December 31, 2001

Assets

Cash in Bank	\$ 39,086
Deposits in Transit	<u>16,963</u>
Total Assets	<u>\$ 56,049</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$ 833
Outstanding Liabilities	27,407

Unpaid Obligations:

U.S. Treasurer - Federal Withholdings and Matching	\$ 19,823
Kentucky State Treasurer-	
State Withholdings	\$ 144
Carrying Concealed Deadly Weapon Permits	<u>3,790</u> 3,934
Kentucky Law Enforcement Foundation	
Program Fund- Overpayment of Grant	1,877
Amount Due Fiscal Court (1997-2001)	32,591
Net Amount Due Tax Account	554
Other Vendors-	
Law Enforcement Equipment	\$ 119
Vehicle Maintenance and Repairs	<u>340</u> 459

Total Unpaid Obligations	<u>59,238</u>
Total Liabilities	<u>\$ 87,478</u>
Total Fund Deficit as of December 31, 2001	<u><u>\$ (31,429)</u></u>

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## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

FEDERAL/STATE LAWS AND REGULATIONS:

- 1) The Sheriff Should Not Have A Deficit Of \$31,429 In His Official Fee Account As Of December 31, 2001

Sheriff Riddle is responsible for a \$31,429 deficit in his official bank account as of December 31, 2001. This deficit results from \$328 in undeposited receipts, \$12,518 in disallowed expenditures, and prior year uncollected monies from various sources. The disallowed expenditures consist of \$267 of penalties and interest, \$7,103 of deputies' salaries over the salary limitation set by fiscal court, and \$5,148 of expenditures over the line-item maximum expense categories set by fiscal court. We recommend that Sheriff Riddle eliminate the deficit of \$31,429 with a deposit of personal funds.

*Sheriff's Response:*

*We will ask the current fiscal court to raise the prior salary cap set by the previous fiscal court to eliminate the overage of deputies' salaries. The previous fiscal court still owes the Sheriff's Dept. approximately \$63,000.00 that is still unpaid, which will continue this office to carry a deficit year after year. This is still an ongoing litigation. I have deposited personal funds for years, but it is time that the Sheriff's office is paid what is due and I can no longer use my personal funds to make up penalties and differences.*

- 2) The Sheriff Should Pay Excess Fees Of \$20,519 To County Treasurer For Calendar Years 2000 And 2001

During calendar years 2000 and 2001, the Sheriff's fee account had excess fees of \$6,907 and \$13,612, respectively. We recommend that the Sheriff pay the county treasurer total excess fees of \$20,519.

*Sheriff's Response:*

*I was not aware of any excess fees, when we are still being told we have a deficit. The county owes this office a lot more than the excess fees, and I think we should get our money before we turn any money over.*

- 3) The Sheriff Should Maintain Deputy Sheriff Salaries Within Maximum Amount Set By Fiscal Court

KRS 65.530(3) requires the fiscal court to fix annually the maximum amount, including fringe benefits, which the Sheriff may expend for deputies and assistants, and allow the Sheriff to determine the number to be hired and the individual compensation of each deputy and assistant. On March 15, 2001, the fiscal court voted "to pass the budget for the Clinton County Sheriff for the year 2001 setting the amount that he can spend on deputies and assistants, according to KRS 64.530(3) at 100,000." During calendar year 2001, the Sheriff expended \$107,103 on salaries for deputies and assistants. Salaries for deputies and assistants of \$7,103 were disallowed for being over the maximum amount set by the fiscal court. We recommend the Sheriff comply with KRS 64.530(3) by maintaining salaries for the Sheriff's deputies and assistants within maximum amount set by fiscal court.

CLNTON COUNTY  
 KAY RIDDLE, COUNTY SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2001  
 (Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

- 3) The Sheriff Should Maintain Deputy Sheriff Salaries Within Maximum Amount Set By Fiscal Court (Continued)

*Sheriff's Response:*

*We will go before the current fiscal court and ask them to amend the previous budget to take care of the \$7,103.00 that was spent.*

- 4) The Sheriff Should Limit Official Expenses To Amounts Fixed By Fiscal Court

KRS 64.530(3) allows the fiscal court to “. . . fix the maximum amount that the officer may expend each year for expenses of his office.” According to the interpretation of this statute in Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), “. . . the fiscal court may fix, in advance, the categories of reasonable official expenses that will be allowed and the maximum amount that will be allowed for each category.” On March 15, 2001, the Clinton County Fiscal Court voted “. . . to accept the Sheriff's Budget as presented and to be made a part of the records.” The Fiscal Court fixed “. . . the categories of expenses and the maximum amount that will be allowed for each category, or line-item, of the Clinton County Sheriff's Office for CY 2001.”

These categories of expenses “include expense for which the Sheriff is reimbursed by another and include expenses paid from the Sheriff Drug Fund.” However, the expenses of the Sheriff's office exceeded the amounts fixed by Fiscal Court for a total of \$5,148. These expenses were disallowed.

<u>Category</u>	<u>Amount</u>
Employer's Share of Social Security	\$ 543
Vehicle Maintenance and Repairs	603
Extra Help	2,929
Gasoline	940
Travel Expense	13
Postage	120
Total	<u>\$ 5,148</u>

On September 23, 2002, the Clinton County Fiscal Court held a fiscal court meeting. “The purpose of the meeting was the Sheriff's Budget for 2001. The court met and the sheriff's office presented a request for a budget amendment in the 2001 budget in the amount of \$12,486.00. No motion made at this time.” We recommend the Sheriff limit the expenses of his office to the amounts fixed by Fiscal Court.

*Sheriff's Response:*

*We will ask the current fiscal court to amend the previous budget to eliminate this problem.*

CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

5) The Sheriff Should Properly Report Wages And Withholdings

Sheriff Riddle failed to properly report wages and withholdings to the County Employees Retirement System, the Internal Revenue Service, and Kentucky Revenue Cabinet.

a) Retirement

KRS 78.610 requires employees of a participating county to contribute 5% of his or her compensation to the County Employees Retirement System (CERS). The Sheriff reports retirement wages and withholdings to the Clinton County Treasurer. He also pays retirement withholdings to the County Treasurer.

The County Treasurer then reports and pays retirement to CERS. On March 22, 2001, the Clinton County Fiscal Court voted that "[r]etirement withholding check and information from sheriff to treasurer shall be submitted by the eighth of each month." However, for calendar year 2001, retirement wages of \$9,298 and retirement withholdings of \$449 were not reported to the County Treasurer. In addition, retirement information was not reported in a timely manner to the County Treasurer.

The Sheriff is also required to pay the County Treasurer the employer's share of retirement for the wages reimbursed from the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). The Sheriff did not pay all of the employer's share of retirement for KLEFPF wages to the County Treasurer in the amount of \$619.

As of December 31, 2001, the Clinton County Sheriff's office owes the County Treasurer \$7,468 for retirement withholdings and employer's share of retirement. This amount includes the following amounts: \$452 for 1997 fees, \$2,024 for 1998 fees, \$1,756 for 1999 fees, \$2,168 for 2000 fees, and \$1,068 for 2001 fees. In addition, as of December 31, 2001, the Clinton County Fiscal Court owes the balance of \$1,124 to the Sheriff's office for overpayment of the employer's share of retirement for 1999 fees. The Sheriff should report and pay employees' retirement wages and withholdings to the County Treasurer by the eighth of each month. Also, the Sheriff should properly pay all employer's share of retirement reimbursed from KLEFPF to the County Treasurer.

b) Federal

26 USCA § 3402 states that ". . . every employer making payment of wages shall deduct and withhold upon such wages. . ." federal income taxes. In addition, 26 USCA § 3102 requires every employer to withhold FICA from wages. Every employer is required by federal law to file each quarter an Employer's Quarterly Federal Tax Return with the Internal Revenue Service (IRS). This return should include total wages for all employees, income tax withheld from all wages, and FICA withheld. However, per returns provided to auditor for calendar year 2001, wages of \$2,391, FICA withholdings of \$304, and federal withholdings of \$173 were unreported to the IRS. The Sheriff is not making federal deposits timely as required by federal law. Payments to the IRS were one month to ten months late.

CLINTON COUNTY  
 KAY RIDDLE, COUNTY SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2001  
 (Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

5) The Sheriff Should Properly Report Wages And Withholdings (Continued)

b) Federal (Continued)

As of December 31, 2001, the Clinton County Sheriff's office owes the Internal Revenue Service \$19,823 for federal withholdings, FICA withholdings, and employer's share of FICA. This amount includes the following amounts: \$9,361 for 1998 fees, \$9,971 for 1999 fees, and \$491 for 2001 fees. The Sheriff should properly report all wages and withholdings to the IRS on the Employer's Quarterly Federal Tax Returns on a timely basis. The Sheriff should also make federal deposits on a timely basis.

c) State

KRS 141.310 states that “. . .every employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages. . .” state income taxes. KRS 141.330 requires every employer to file on or before the last day of the month following the close of each quarterly period a return reporting the tax withheld for that quarter. This return should include total wages for all employees and Kentucky income tax withheld. However, for calendar year 2001, wages of \$3,286 and state withholdings of \$144 were unreported to the Kentucky Revenue Cabinet. In addition, returns and payments were made one month to four months late. As of December 31, 2001, the Clinton County Sheriff's office owes the Kentucky Revenue Cabinet \$144 for state withholdings. The Sheriff should accurately report and pay all wages and state withholdings to the Kentucky Revenue Cabinet on a timely basis.

d) County

Clinton County Fiscal Court Ordinance No. 1999-OLFTAX states that “. . .effective April 1, 1999 the THREE FOURTHS OF ONE PERCENT Occupational License Fee Ordinance 1999-OLFTAX applies to all individuals, employers, partnerships, corporations, and businesses in Clinton County.” This ordinance requires every employer to “. . .withhold THREE FOURTHS OF ONE PERCENT license fee from gross wages, salaries, and commissions paid to employees for services performed within Clinton County.” The employer is to file a return of occupational tax which reports license fees withheld from employees on a quarterly basis. This return should include total wages of all employees and license fees withheld. However, for calendar year 2001, the Sheriff did not report wages of \$48,338 to the Clinton County Occupational Tax Administrator. In addition, license fees withheld of \$372 were not reported to the Clinton County Occupational Tax Administrator. As of December 31, 2001, the Clinton County Sheriff's office owes the Clinton County Occupational Tax Administrator \$774 for license fees withheld. This amount includes the following amounts: \$224 for 1999 fees, \$178 for 2000 fees, and \$372 for 2001 fees. The Sheriff's office should report and pay all wages and license fees withheld to the Clinton County Occupational Tax Administrator on a timely basis.

We are referring these matters to the County Employees Retirement System, the Internal Revenue Service, and the Kentucky Revenue Cabinet for further action.



CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

5) The Sheriff Should Properly Report Wages And Withholdings (Continued)

*Sheriff's Response:*

*We have settled with most of these entities on debts owed, but once again, we still need to refer back to prior audits of the prior fiscal court and their unpaid obligations to the Sheriff's office in audit report.*

6) The Sheriff's Office Should Submit A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner

OAG 68-51 opines that the fiscal court must pay the employer's share of FICA contributions for the county sheriff's deputies and assistants. On March 22, 2001, The Clinton County Fiscal Court voted "that information on the Sheriff payroll shall be provided to the county treasurer two days after payroll is issued. Treasurer shall issue a check to the Sheriff for Social Security and Medicare match one day after receiving information." During calendar year 2001, the Sheriff did submit and receive reimbursement for reports to the fiscal court for reimbursement of employer's share of FICA. However, these reports were not submitted in a timely manner. In the future, the Sheriff should submit a report to the Fiscal Court for reimbursement of employer's share of FICA two days after payroll is issued.

*Sheriff's Response:*

*We submitted reports on a timely manner, when possible.*

7) The Sheriff Should Prepare And Publish An Annual Settlement

The Sheriff has not prepared an annual settlement as required by KRS 134.310(5). KRS 134.310(5) requires the Sheriff to file an annual settlement with the fiscal court when he files his yearly tax settlement, with September 1 being the latest date to file. In addition, the Sheriff did not publish an annual settlement in accordance with KRS 424.220, which requires financial statements be published within 60 days after the end of the calendar year. We recommend the Sheriff comply with these statutes by preparing, publishing, and filing an annual settlement within the proper time periods.

*Sheriff's Response:*

*We will correct this problem.*

CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

8) The Sheriff Should Obtain Reimbursement From State For Expenses

The Sheriff is allowed to obtain reimbursement from the Commonwealth of Kentucky for certain expenses. Some of these expenses are waiting on the court, transporting prisoners, and return of fugitives. Sheriff Riddle did not obtain reimbursement for these expenses during calendar year 2001. We recommend that in the future Sheriff Riddle obtain reimbursement from the state for expenses whenever possible.

*Sheriff's Response:*

*We will obtain the proper paper work and submit claims and collect monies.*

9) The Sheriff Should Properly Remit Carrying Concealed Deadly Weapon Permits

KRS 237.110(5) requires the Sheriff to collect a \$60 fee for each Carrying Concealed Deadly Weapon (CCDW) Permits. Sheriff Riddle is required to submit \$40 of the \$60 collected to the Kentucky State Treasurer for the Department of State Police (\$20) and Administrative Office of the Courts (\$20). As of December 31, 2001, Sheriff Riddle owes the Kentucky State Treasurer \$3,790 in CCDW license fees. This amount includes the following amounts: \$160 for calendar year 1998, \$640 for calendar year 1999, \$1,875 for calendar year 2000 and \$1,115 for calendar year 2001. We recommend Sheriff Riddle make proper payments to the Kentucky State Treasurer.

*Sheriff's Response:*

*We will take care of this problem and appoint one person to handle CCDW permits, to keep it better organized.*

10) The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$62,250 To Protect Deposits

On December 7, 2001, \$62,250 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*I was not aware of this but, from this point on we will watch closer to see that this problem does not occur.*

CLINTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

11) Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.
- The Sheriff should periodically compare invoices to payments. The Sheriff could document this by initialing the invoices.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response:*

*We do not generate enough funds to hire additional personnel or we would.*

12) The Sheriff Should Maintain Accurate Accounting Records

During the audit of the Sheriff's receipts and disbursements for calendar year 2001, we noted errors in the Sheriff's accounting records. These included the following:

- Receipts were not deposited intact daily. Also deposits were not made timely. Technical Audit Bulletin 93-002, Section 3 requires the Sheriff to deposit funds intact on a daily basis. Delinquent tax receipts for December were deposited one month late. October 2001 deposits did not agree to daily checkout sheets.
- October 2001 receipts of \$12,343 were not included on the receipts ledger.
- The Sheriff's disbursements ledger was not posted accurately. KRS 68.210, the Uniform System of Accounts requires the Sheriff to accurately keep and maintain a daily disbursements ledger. There were unrecorded and incorrectly classified disbursements.
- Gross payroll per the disbursements ledger did not match individual earnings records and was not always listed on the individual earnings records.
- Supporting documentation for all expenditures should be maintained in the Sheriff's office.
- Receipts ledger and disbursements ledger did not have yearly totals.
- All payroll disbursements were not listed on individual earning records.

CLINTON COUNTY  
 KAY RIDDLE, COUNTY SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2001  
 (Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS: (Continued)

12) The Sheriff Should Maintain Accurate Accounting Records (Continued)

- Tax commissions for December 2001 were not paid from tax account to the fee account in a timely manner.
- The fourth quarterly financial report was materially misstated.
- Court costs collected for fiscal court were not paid to fiscal court on a monthly basis.
- \$2,384 of 2001 expenses were paid in 2002. \$7,581 of 2001 receipts were deposited in 2002.
- The Sheriff should request reimbursements for expenses in timely fashion.

We recommend the Sheriff initiate procedures to ensure that all accounting records are accurately maintained and that all funds are deposited intact on a daily basis.

*Sheriff's Response:*

*We do the best that we can, we have new computers and we will be able to get programs to maintain our bookkeeping on computer.*

Sheriff's Additional Response To All Comments:

*The previous Fiscal Court has put the Sheriff's Dept. in a great hardship by not paying their debt owed in previous audit reports. This is still in litigation. Once this matter is resolved, I can operate the office, and take care of any discrepancies by the auditor's office. The Current Fiscal Court is working with the Sheriff's office and helping us in any way they can, and they are trying to get grants and programs to help the Sheriff's office.*

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

In the prior year audit report, we made the following comments and recommendations:

- The Sheriff Should Seek To Receive \$53,814 Toward His Statutory Maximum Salary And Related Payroll Taxes For Calendar Year 1999 From The Fiscal Court
- The Sheriff Should Pay Excess Fees Of \$6,907 To County Treasurer For Calendar Year 2000
- The Sheriff Should Expend Public Funds Only For Necessary Expenses Of The Sheriff's Office
- The Sheriff Should Transfer Correct Commissions From Tax Collections
- The Sheriff Should Maintain Accurate Accounting Records
- The Fiscal Court Should Properly Set Deputy Sheriff Salaries Annually
- The Sheriff Should Properly Report Payroll Wages And Withholdings
- The Sheriff's Office Should Submit A Report To The Fiscal For Reimbursement Of Employer's Share Of FICA
- The Sheriff Should Prepare And Publish An Annual Settlement

CLNTON COUNTY  
KAY RIDDLE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2001  
(Continued)

PRIOR YEAR COMMENTS AND RECOMMENDATIONS: (Continued)

- The Sheriff Should Obtain Reimbursement From State For Expenses
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$75,658 To Protect Deposits
- Lack Adequate Segregation Of Duties

These findings have not been corrected and have been commented on in the current audit report.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie McWhorter, Clinton County Judge/Executive

Honorable Kay Riddle, Clinton County Sheriff

Members of the Clinton County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of The Financial**  
**Statement Performed In Accordance With Government Auditing Standards**

We have audited the Clinton County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated September 5, 2003. The Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America. Except as discussed in the prior sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Not Have A Deficit Of \$31,429 In His Official Fee Account As Of December 31, 2001
- The Sheriff Should Pay Excess Fees Of \$20,519 To County Treasurer For Calendar Years 2000 And 2001
- The Sheriff Should Maintain Deputy Sheriff Salaries Within Maximum Amount Set By Fiscal Court



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance (Continued)

- The Sheriff Should Limit Official Expenses To Amounts Fixed By Fiscal Court
- The Sheriff Should Properly Report Wages And Withholdings
- The Sheriff's Office Should Submit A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Obtain Reimbursement From State For Expenses
- The Sheriff Should Properly Remit Carrying Concealed Deadly Weapon Permits
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$62,250 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties
- The Sheriff Should Maintain Accurate Accounting Records

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 5, 2003

